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Argentina

Fresh Deciduous Fruit

Annual

2005

Approved by:

Robert K. Hoff
U.S. Embassy

Prepared by:

Francisco Pirovano

Report Highlights:

The Argentine fresh deciduous fruit crop for calendar year (CY) 2005 is forecast at 1.69 million metric tons (MT), 16 percent higher with respect to CY 2004, due to improved agricultural practices. Exports of fresh apples and pears are expected to increase, due to the weakness of the Argentine Peso and higher supply. The strength of the dollar against the Argentine peso is expected to continue to discourage imports. Domestic consumption of fresh pears and apples is forecast to increase to the level of CY 2003. Concentrated apple juice (CAJ) production and exports are forecast to remain at CY 2004 levels, as more fruit will be available for this sector this year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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Section I. Situation and Outlook

Production

Fresh deciduous fruit production for CY 2005 is forecast to increase to 1.69 million MT, a 16-percent compared with the CY 2004 harvest. According to sources in the industry, improvements in the agricultural practices carried out over the last two years in the main producing regions offset unfavorable weather conditions and, resulted in higher yields.

Planted area in both Mendoza, and Rio Negro and Neuquen Valley region was the same as in CY 2004.

Table 1. Fresh Deciduous Fruits Total Production				
	2004		2005	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	8,200	173,000	8,200	190,000
Rio Negro	59,500	1,245,000	59,500	1,500,000
Total	67,700	1,425,000	67,700	1,690,000

Despite the negative effect of some intense-late frosts in the southern valleys, Argentine apple production in CY 2005 is expected to increase 19 percent to 1,100,000 MT, due to agricultural improvements in most of the orchards. The apple crop in the Mendoza region is expected to remain at CY 2004 levels, while yields in the Rio Negro and Neuquen Valley region are forecast to increase by 20 percent. In this region, the newly planted Gala variety is expected to increase by 30 percent, since many new orchards are just beginning to produce fruit. While the Granny Smith variety is expected to increase 15 percent, the traditional Red Delicious variety will increase only 13 percent since, according to sources in the industry, this variety suffered the most the late frosts in the spring of 2004.

Table 2. Apple Production				
	2004		2005	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	4,600	100,000	4,600	100,000
Rio Negro	46,000	800,000	46,000	1000,000
Total	50,600	900,000	50,600	1,100,000

Argentine pear production in CY 2005 is forecast to increase to 590,000 MT, 11-percent up with respect to CY 2004. The pear crop in Mendoza region is forecast at 90,000 MT in CY 2005, 18 percent more than CY 2004. In the Rio Negro and Neuquen producing region, the pear crop is forecast at 500,000 MT, 10 percent more than in CY 2004. In the Patagonian valleys, the pear-picking Bartlet variety season is expected to start during the third week of CY 2005.

Table 3. Pear Production				
	2004		2005	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	3,600	73,000	3,600	90,000
Rio Negro	13,500	452,000	13,500	500,000
Total	17,100	525,000	17,100	590,000

Concentrated Apple Juice (CAJ) production is expected to increase 10 percent in CY 2005 to 69,000 MT. The better CY 2005 crop forecast will leave more fruit available for crushing than in CY 2004. CY 2004 crushing season was complicated by a shortage of fruit. According to sources in the industry the lack of fruit in stock made competition between the domestic consumption and the industry stronger than usual. CY 2004 production of CAJ was 62,000 MT.

Domestic Consumption

In CY 2005 domestic consumption of apples is expected to return to CY 2003 levels to 350,000 MT, as supply will increase due to the better crop. Pear domestic consumption is forecast to increase in CY 2005 to 100,000 MT. Domestic consumption of apples and pears suffered a downturn in CY 2004 because of the contraction in supply due to lower production and competition with the industry. Pear domestic consumption dropped 30 percent in CY 2004. While in CY 2003 domestic consumption of fresh pears was 123,000 MT, no more than 90,000 MT reached the market in CY 2004. With regards to apples, the reduction in consumption was on the order of 30 percent -from 350,000 MT in CY 2003 to 250,000 MT in CY 2004.

Trade

Post forecasts an increase in apple exports for CY 2005 to 250,000 MT due to a greater supply of fruit. Apple exports in the period January-October 2004 reached 195,000 MT valued US\$85 million. It is expected that at the end of CY 2004 apple exports will match the CY 2003 volume of 200,000 MT.

The main market for Argentine apple continues to be the European Union (EU) accounting for 60 percent of the total exports. The Russian Federation and Brazil follow with 43,000 MT and 23,000 MT respectively. The three aforementioned countries receive 96 percent of the Argentine exports.

CY 2005 pear exports are expected to increase to 350,000 MT due to the better crop and quality. Up until October 2004, pear exports reached 314,000 MT, three percent lower than in the same period in CY 2003. Export values in the period from January through October 2004 were US\$149 million two percent above the US\$147 million reached in the same period in CY 2003. Post forecasts a final export volume of 320,000 MT for CY 2004 resulting in a net decline of 2.5 percent with respect to CY 2003, due to lower quality fruit in the CY 2004 crop.

Ninety-six percent of the shipments are directed to the EU, the Russian Federation, Brazil and, the United States. Shipments to the U.S. declined from the 50,000 MT in CY 2003 to 36,000 MT in CY 2004, due to quality problems. While the Russian market continues to grow, the Brazilian purchases have declined from 80,000 MT in CY 2002 to 50,000 MT in CY 2003 and CY 2004, due to phytosanitary constraints.

The poor quality of pears due to skin damage limited the number of shipments sent to the United States and the EU. The Russian Federation, whose quality standards are not as high, bought most of this fruit.

CAJ exports for CY 2005 are forecast to go up to 67,000 MT due to the higher supply. Up until November 2004, exports of CAJ reached 32,000 MT, while in the same period in CY 2003 exports were 58,000 MT. However, it is expected that the CAJ exports for CY 2004 will recover a bit, reaching the 60,000 MT. Historically, Argentina has exported nearly 97 percent of its national production of CAJ. Exports of CAJ reached 63,600 MT valued US\$49 million in

2003, 98-percent of which was destined to the United States, this exports were in bulk (307 Kg drums or 1535 Kg bins).

In CY 2004 the logistics for fruit exports from the San Antonio Este port in Southeastern Argentina were conducted more efficiently. Industry sources report that all the export groups (one export group can be made up of many exporters or packers) agreed to share vessels, leading to faster loading and fewer delays than in previous years. The same sources reported that in CY 2005 they will try to implement the same strategy for other destinations such as the EU and the Russian Federation.

Imports of apples, pears and CAJ in CY 2004 were insignificant and this trend is expected to continue, given the weakness of the Argentine Peso after its devaluation in February 2002.

Import and Export Regulations

Table 4. Fresh Apples and Pears	
Outside the Mercosur Area	
Import Tariff (%)	10.00
Statistical Tax (%)	0.50
Export tax (%)	10.00
Rebate (%) Cases containing between 2.5 Kg. and 20 Kg.	5.00
Cases containing 2.5 Kg. or less	6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	10.00
Rebate (%) Cases containing between 2.5 and 20 kg.	5.00
Cases containing 2.5 kg. or less	6.00

An additional one percent rebate for all fresh fruit being exported through the San Antonio Este port is being granted. This special rebate will be eliminated in January 2006.

Table 5. Concentrated Apple Juice	
Outside the Mercosur Area	
Import Tariff (%)	14.00
Statistical Tax (%)	0.50
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter	5.00
Containers of 1 liter or less	6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter	5.00
Containers of 1 liter or less	6.00

Factors Affecting Industry Structure

Production Costs

During the first year after the peso devaluation of February 2002, most of the costs remained unchanged while the currency tripled in peso terms. The immediate outcome of that economic policy was a net improvement in the bottom line of most of the farmers who exported their produce. Farmers were able to pay off their debts, and the local economies in the production areas flourished. After three years, the production cost have increased up to 75 percent compared to the costs in CY 2001 (pre-devaluation times). Also, packing expenses increased 73 percent compared with those in CY 2001. According to sources in the industry, labor cost increased between 107 and 110 percent in the past two years and, labor represents 40 percent of the total costs of the industry. According to the same sources, with the expenses going up and the income stable, the benefits of the peso devaluation are beginning to decrease.

Export Taxes

While citrus producers were able to lower the initially set export tax from ten to five percent, apples and pears producers were not so lucky. Sources in the industry assert that the 10 percent export tax imposed on the FOB value of all the pear and apples exports, represents 25 percent of the value of the fruit affecting specially to the small farmer who is charged by the upper linkages of the commercialization chain.

Phytosanitary Constraints

Codling moth (*Cydia pomonella*), a pest endemic to the Patagonian valleys, continues to be an issue that restrains the apple and pear exports to Brazil. In CY 2005, the Argentine Animal and Plant Health Inspection and Food Safety Agency (SENASA) will destine nearly US\$1.5 million to combat this plague. According to sources in the industry, this sum is far below from what is needed to eradicate a pest that costs millions every year in terms of reduction of exports to Brazil.

Prices

Domestic Wholesale Prices for all Varieties (US\$/kg.)						
	2002		2003		2004	
	Pear	Apple	Pear	Apple	Pear	Apple
January	0.28	0.21	0.29	0.48	0.40	0.48
February	0.20	0.20	0.25	0.43	0.31	0.41
March	0.15	0.15	0.24	0.31	0.32	0.37
April	0.19	0.16	0.27	0.30	0.39	0.36
May	0.17	0.16	0.26	0.29	0.37	0.33
June	0.17	0.19	0.25	0.31	0.33	0.33
July	0.18	0.21	0.27	0.30	0.32	0.38
August	0.21	0.26	0.29	0.30	0.37	0.40
September	0.27	0.31	0.36	0.32	0.39	0.43
October	0.33	0.39	0.41	0.48	0.41	0.45
November	0.35	0.36	0.43	0.43	0.47	0.50
December	0.30	0.44	0.68	0.49	0	0

Source: Buenos Aires Central Market (www.mercadocentral.com.ar)

Domestic Retail Prices, Red Delicious Variety (US\$/Kg.)			
	2002	2003	2004
January	0.63	0.78	0.85
February	0.58	0.68	0.82
March	0.41	0.59	0.69
April	0.40	0.60	0.67
May	0.37	0.57	0.65
June	0.37	0.58	0.66
July	0.40	0.57	0.66
August	0.44	0.57	0.67
September	0.50	0.62	0.70
October	0.58	0.70	0.76
November	0.62	0.73	0.77
December	0.70	0.77	

Source: The National Institute for Statistics (INDEC – www.indec.gov.ar)

Section II. Statistical Tables

PSD Table							
Country	Argentina						
Commodity	Apples, Fresh				(HA) (1000 TREES) (MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	51	51	51	51	0	51	(HA)
Area Harvested	50	50	50	50	0	50	(HA)
Bearing Trees	21000	21000	21000	21000	0	21000	(1000 TREES)
Non-Bearing Trees	4000	4000	4000	4000	0	4000	(1000 TREES)
Total Trees	25000	25000	25000	25000	0	25000	(1000 TREES)
Commercial Production	1000000	1000000	900000	900000	0	1100000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	1000000	1000000	900000	900000	0	1100000	(MT)
TOTAL Imports	500	500	0	600	0	0	(MT)
TOTAL SUPPLY	1000500	1000500	900000	900600	0	1100000	(MT)
Domestic Fresh consump.	350000	350000	250000	250600	0	350000	(MT)
Exports, Fresh Only	200500	200500	190000	200000	0	250000	(MT)
For Processing	450000	450000	460000	450000	0	500000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	1000500	1000500	900000	900600	0	1100000	(MT)

Prices Table			
Country	Argentina		
Commodity	Fresh Apples		
Prices in	\$ FOB	per uom	MT
Year	2003	2004	% Change
Jan	420	470	12%
Feb	460	480	4%
Mar	410	430	5%
Apr	410	440	7%
May	410	430	5%
Jun	390	430	10%
Jul	390	410	5%
Aug	370	380	3%
Sep	380	410	8%
Oct	400	420	5%
Nov	410		-100%
Dec	430		-100%
Exchange Rate	2.98	Local Currency/US \$	
Date of Quote	11/30/2004	MM/DD/YYYY	

PSD Table							
Country	Argentina						
Commodity	Pears, Fresh				(HA) (1000 TREES) (MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	18	18	17	17	0	17	(HA)
Area Harvested	18	18	17	17	0	17	(HA)
Bearing Trees	9100	9100	9100	9100	0	9100	(1000 TREES)
Non-Bearing Trees	1300	1300	1000	1000	0	1000	(1000 TREES)
Total Trees	10400	10400	10100	10100	0	10100	(1000 TREES)
Commercial Production	600000	600000	525000	525000	0	590000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	600000	600000	525000	525000	0	590000	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	600000	600000	525000	525000	0	590000	(MT)
Domestic Fresh Consump	123000	122000	90000	85000	0	100000	(MT)
Exports, Fresh Only	327000	328000	300000	320000	0	350000	(MT)
For Processing	150000	150000	135000	120000	0	140000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	600000	600000	525000	525000	0	590000	(MT)

Prices Table			
Country	Argentina		
Commodity	Fresh Pears		
Prices in	\$ FOB	per uom	MT
Year	2003	2004	% Change
Jan	470	480	2%
Feb	460	480	4%
Mar	450	480	7%
Apr	440	470	7%
May	440	460	5%
Jun	420	470	12%
Jul	450	480	7%
Aug	430	470	9%
Sep	470	510	9%
Oct	530	550	4%
Nov	560	0	-100%
Dec	580	0	-100%
Exchange Rate	2.98	Local Currency/US \$	
Date of Quote	11/30/2003	MM/DD/YYYY	

PSD Table							
Country	Argentina						
Commodity	Apple Juice, Concentrated				(MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Deliv. To Processors	450000	450000	460000	450000	0	500000	(MT)
Beginning Stocks	13333	13333	10233	10233	11733	10833	(MT)
Production	62000	62000	63000	62000	0	69000	(MT)
Imports	500	500	500	600	0	600	(MT)
TOTAL SUPPLY	75833	75833	73733	72833	11733	80433	(MT)
Exports	63600	63600	60000	60000	0	67000	(MT)
Domestic Consumption	2000	2000	2000	2000	0	2000	(MT)
Ending Stocks	10233	10233	11733	10833	0	11433	(MT)
TOTAL DISTRIBUTION	75833	75833	73733	72833	0	80433	(MT)

Prices Table			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Prices in	US\$ FOB	per uom	MT
Year	2003	2004	% Change
Jan	690	770	12%
Feb	710	820	15%
Mar	730	820	12%
Apr	730	980	34%
May	790	980	24%
Jun	780	980	26%
Jul	780	970	24%
Aug	800	870	9%
Sep	890	980	10%
Oct	790	1001	27%
Nov	800	0	0
Dec	850	0	0
Exchange Rate	2.98	Local Currency/US \$	
Date of Quote	11/30/2003	MM/DD/YYYY	